

REFERENCE TITLE: corporate income tax; sales factor

State of Arizona
Senate
Forty-eighth Legislature
First Regular Session
2007

SB 1024

Introduced by
Senator Harper: Representative Groe

AN ACT

AMENDING SECTION 43-1139, ARIZONA REVISED STATUTES, AS AMENDED BY LAWS 2005,
CHAPTER 289, SECTION 1; RELATING TO CORPORATE INCOME TAX ALLOCATION.

(TEXT OF BILL BEGINS ON NEXT PAGE)

1 Be it enacted by the Legislature of the State of Arizona:

2 Section 1. Section 43-1139, Arizona Revised Statutes, as amended by
3 Laws 2005, chapter 289, section 1, is amended to read:

4 **43-1139. Allocation of business income**

5 A. Except as provided in subsection B of this section, the taxpayer
6 shall elect to apportion all business income to this state **AS FOLLOWS:**

7 **1. FOR TAXPAYERS LOCATED OUTSIDE NONATTAINMENT AREA A AND AREA B, AS
8 DEFINED IN SECTION 49-541, BY EITHER:**

9 (a) **MULTIPLYING THE INCOME BY A FRACTION, THE NUMERATOR OF WHICH IS
10 THE PROPERTY FACTOR PLUS THE PAYROLL FACTOR PLUS TWO TIMES THE SALES FACTOR
11 AND THE DENOMINATOR OF WHICH IS FOUR.**

12 (b) **MULTIPLYING THE INCOME BY THE SALES FACTOR.**

13 **2. FOR ALL OTHER TAXPAYERS, for taxable years beginning from and
14 after:**

15 **1.** (a) December 31, 2006 through December 31, 2007 by either:

16 ~~(a)~~ (i) Multiplying the income by a fraction, the numerator of which
17 is the property factor plus the payroll factor plus two times the sales
18 factor, and the denominator of which is four.

19 ~~(b)~~ (ii) Multiplying the income by a fraction, the numerator of which
20 is two times the property factor plus two times the payroll factor plus six
21 times the sales factor, and the denominator of which is ten.

22 **2.** (b) December 31, 2007 through December 31, 2008 by either:

23 ~~(a)~~ (i) Multiplying the income by a fraction, the numerator of which
24 is the property factor plus the payroll factor plus two times the sales
25 factor, and the denominator of which is four.

26 ~~(b)~~ (ii) Multiplying the income by a fraction, the numerator of which
27 is one and one-half times the property factor plus one and one-half times the
28 payroll factor plus seven times the sales factor, and the denominator of
29 which is ten.

30 **3.** (c) December 31, 2008 by either:

31 ~~(a)~~ (i) Multiplying the income by a fraction, the numerator of which
32 is the property factor plus the payroll factor plus two times the sales
33 factor, and the denominator of which is four.

34 ~~(b)~~ (ii) Multiplying the income by a fraction, the numerator of which
35 is the property factor plus the payroll factor plus eight times the sales
36 factor, and the denominator of which is ten.

37 B. All business income of a taxpayer engaged in air commerce shall be
38 apportioned to this state by multiplying the income by a fraction, the
39 numerator of which is the revenue aircraft miles flown within this state for
40 flights beginning or ending in this state and the denominator of which is the
41 total revenue aircraft miles flown by the taxpayer's aircraft everywhere.
42 This subsection applies to each taxpayer, including a combined group filing a
43 combined return or an affiliated group electing to file a consolidated return
44 under section 43-947, if fifty per cent or more of that taxpayer's gross
45 income is derived from air commerce. For the purposes of this subsection:

1 1. "Air commerce" means transporting persons or property for hire by
2 aircraft in interstate, intrastate or international transportation.

3 2. "Revenue aircraft miles flown" has the same meaning prescribed by
4 the United States department of transportation uniform system of accounts and
5 reports for large certificated air carriers (14 Code of Federal Regulations
6 part 241).

7 Sec. 2. Effective date

8 This act is effective and applies to taxable years beginning from and
9 after December 31, 2007.